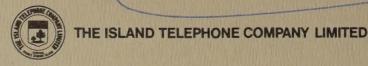


THE ISLAND TELEPHONE COMPANY LIMITED

Six Month Report

TO JUNE 30th 1972

ad cancerp



## TO THE SHAREHOLDERS:

Net income for the first six months of the year was \$373,302, compared to \$321,074 for the same period a year ago. Earnings per average common share were \$.62 for the period, compared to \$.52 a year ago.

Rate of return on average invested capital for the six months was 8.78%, compared to 8.39% a year ago; return on average common equity was 12.26%, compared to 11.08%. Long distance calling continued to gain (up 8.39% over a year ago), and telephone installations showed a gratifying increase, up 143% over the first six months of 1971; this increase was due to a strong selling effort coupled with removal of the installation charge for add-on residential services.

The increased volume of telephone installations and related items has required a revision in our forecast of capital expenditures for the year, now estimated to be \$3,379,000. To date construction program expenditures have totalled \$1,578,690. On July 25, at a special general meeting of common shareholders, approval was granted for the conversion of unissued common and preference share capital to 75,000 preference shares, par value \$20 each. Your directors subsequently approved the issuance of 75,000 71/4% Cumulative, Redeemable Preference Shares, par value \$20, and entered into an agreement with the Company's Underwriters whereby these shares were offered for sale to the public. Proceeds of the issue will be used to retire bank loans and short term notes, to retire the \$300,000 Series B 43/4% First Mortgage Bonds due December 1, and to meet capital construction expenditures this year.

## SIX MONTH GROWTH

(compared to same period 1971)

Long distance calls

1,274,604, up 8.3%

Salaries and wages

\$728,470, up 19.8%

Telephone gain

1,823, up 143.4%

Telephones in service June 30

37,538, up 8.0%

**Employees June 30** 

270, up 11.6%

As at June 30

President

Charlottetown, P.E.I. July 28, 1972

Condensed
Financial Position
Statement

	*1972	1971
	\$	\$
Telephone Plant	21,082,738	18,817,929
Accumulated depreciation	5,301,388	4,794,117
Investments	72,071	52,072
Current assets	856,344	895,991
Deferred charges	103,687	32,276
Shareholders' equity - preference	1,550,000	1,550,000
- common	5,555,953	5,168,839
Long-term debt - first mortgage bonds	6,750,000	5,000,000
- bank and other notes	735,000	1,215,000
Current liabilities	505,161	598,123
Deferred credits	1,717,338	1,472,189

## Interim Income Statement

come Statement	Six Months Ended June 30 Twelve Months Ended June 3				30
	*1972	1971	*1972	1971	

	*1972	1971	*1972	1971
	\$	\$	\$	\$
Operating revenues	2,568,965	2,289,069	5,064,282	4,296,921
Operating expenses and other taxes	1,661,458	1,448,641	3,225,979	2,843,234
	907,507	840,428	1,838,303	1,453,687
Other income	29,592	8,402	35,737	8,682
Income before interest and income				
taxes	937,099	848,830	1,874,040	1,462,369
Interest	252,929	204,576	480,126	414,417
	684,170	644,254	1,393,914	1,047,952
Income taxes	310,868	323,180	641,658	526,060
Net income for period	373,302	321,074	752,256	521,892
Earnings per average common share	.62	.52	1.24	.83
Average number of common shares outstanding	542,076	537,296	542,076	537,274

Source and Application of Working Capital

	Six Months Ended June 30		
SOURCE OF WORKING CAPITAL	*1972	1971 \$	
Operating revenues and other income Less charges to income requiring working capital	2,598,557 1,658,537	2,297,471 1,456,119	
Working capital from operations Other	940,020 27,447	841,352 117,475	
Total internal source Repayment of advance by parent company	967,467 1,500,000	958,827	
Long-term debt, bank and short-term loans Employees' stock savings plan	735,000 15,413	1,060,000	
Total source of working capital  APPLICATION OF WORKING CAPITAL	3,217,880	2,031,513	
Construction program expenditures Less charges not requiring working capital	1,578,690 97,088	1,087,537 73,348	
Redemption of long-term debt, bank and short-term loans Dividends Investments	1,481,602 1,250,000 201,754 10,000	1,014,189 750,000 173,452 20,000	
Total application of working capital	2,943,356	1,957,641	
INCREASE (DECREASE) IN WORKING CAPITAL *Unaudited	274,524	73,872	